

An Audit of the Milwaukee County Procurement Division

May 2008

Committee on Finance and Audit

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May 28, 2008

To the Honorable Chairman
of the Board of Supervisors
of the County of Milwaukee

We have completed an audit of the Milwaukee County Procurement Division. The report identifies numerous conditions that collectively reflect a breakdown of internal controls and indicate a lapse in former management's oversight of Procurement operations. Some of the problems identified in our report may be the consequence of significant staff cuts over time.

Establishing a sound internal control environment is a critical management responsibility. This responsibility includes both developing, and ensuring compliance with, specific policies and procedures designed to limit an organization's exposure to the risk of losses due to undetected errors or manipulations of transactions. As Milwaukee County's focal point for some \$50 million in annual purchases, effective oversight of operations by Procurement management is critically important. We make several recommendations to assist management in fulfilling this responsibility. The report notes that current management has already initiated several positive actions.

A response from the Purchasing Administrator is included as **Exhibit 5**. We appreciate the cooperation extended by the Procurement staff during the audit.

Please refer this report to the Committee on Finance and Audit.

Jerome J. Heer
Director of Audits

JJH/cah

Attachment

cc: Milwaukee County Board of Supervisors
Scott Walker, Milwaukee County Executive
Cynthia Archer, Director, Department of Administrative Services
Amos Owens, Purchasing Administrator, DAS Procurement Division
Terrance Cooley, Chief of Staff, County Board Staff
Steven Cady, Fiscal and Budget Analyst, County Board Staff
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An Audit of the Milwaukee County Procurement Division

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Summary

Background

The Procurement Division (Procurement) of the Department of Administrative Services, under the direction of the department director, is empowered by Chapter 32 of the Milwaukee County Ordinances to purchase or contract for supplies, materials, equipment and contractual services needed by Milwaukee County departments, agencies and institutions. These duties are performed under the direct supervision of the Purchasing Administrator. This authority does not include contracts awarded by the Department of Public Works under Chapter 44 of the County Ordinances, for purchase of service contracts acquired for social services under Chapter 46 of the Ordinances, or for professional services contracts awarded by departmental administrators under s. 56.30 of the Ordinances. In 2007, Countywide purchases totaled approximately \$50 million.

Shortly after the beginning of audit fieldwork, the former Purchasing Administrator retired. At that time, the Audit Compliance Manager, an employee of the Department of Audit, accepted a temporary assignment as the Interim Purchasing Administrator. Subsequently, that individual applied for and received a civil service appointment as the Purchasing Administrator, effective November 4, 2007. Because this audit generally focuses on operations prior to the appointment of the current Purchasing Administrator, we do not believe this course of events constitutes a conflict of interest; we present this information for the purpose of full disclosure.

Findings

During the course of our audit fieldwork, we observed numerous conditions that, viewed independently of one another, served as a series of 'red flags'—items that did not conform to expected norms of good business practice. These red flags include:

- Insufficient segregation of duties among Procurement staff, resulting in unnecessary exposure to losses from undetected errors or manipulations.
- Lack of a management review and approval process for all types of purchasing transactions, including purchases of \$50,000 or more.
- Non-compliance with some important County Ordinances and departmental policies and procedures.
- Significant deficiencies in Procurement's written policies and procedures.
- Virtually no formal job training provided by management.

- Generally careless record keeping, reflected in the inability of Procurement staff to locate several files and important payroll documents.

Collectively, these red flags reflect a breakdown of internal controls and indicate a lapse in former management's oversight of Procurement operations.

Some of the problems identified in our report may be the consequence of significant staff cuts over time. When adjusted for vacancies and staff turnover, actual Procurement staffing was reduced from 8.7 FTE in 2003 to 4.0 FTE in 2007, a reduction of 54%. Further detail provided from our review of payroll data shows that in 2003, Procurement had 4.7 FTE positions whose primary responsibility was buying products and services (3.7 Buyer 2s and one Purchasing Coordinator). In 2007, Procurement had just 2.0 FTE positions primarily devoted to purchasing products and services.

As a result of a gradual decline in staff resources, by mid-year 2007, Procurement was overseeing approximately \$50 million in purchases (\$19 million centralized, \$31 million decentralized) with just two buyers, an administrative specialist and the Purchasing Administrator, the lone management-level position. Such concentration of purchasing power in the hands of two individuals, with no managerial review or approval is a disturbing sign of inadequate management oversight.

Establishing a sound internal control environment is a critical management responsibility. This responsibility includes both developing, and ensuring compliance with, specific policies and procedures designed to limit an organization's exposure to the risk of losses due to undetected errors or manipulations of transactions. As Milwaukee County's focal point for some \$50 million in annual purchases, effective oversight of operations by Procurement management is critically important. We make several recommendations to assist management in fulfilling this responsibility.

As previously noted, the current Purchasing Administrator assumed his position on an interim basis in July 2007 and was hired as a regular appointment on November 4, 2007. Since his appointment, the current Purchasing Administrator has taken the following actions.

- Reviews and approves all buyer transactions, providing management oversight that has been lacking since 2003.
- Increased departmental purchasing order authority from \$1,000 to \$2,000 per transaction. This action was authorized by County Ordinance in 2003 and provides consistency between departmental authority for purchase orders and purchasing card transactions. This action will provide needed relief to Procurement buyers.

- Advanced the process of implementing an electronic notification system (i.e., direct e-mail notification) of upcoming public bids for prospective vendors.
- Explored additional cooperative purchasing arrangements in addition to the current 'piggyback' arrangement on State purchasing contracts.
- Initiated the process to add a staff position.
- Is currently gathering data and researching legal avenues to increase Disadvantaged Business Enterprise (DBE) participation in Procurement purchases. According to vendor payment data obtained by the Purchasing Administrator, the dollar value of centralized purchase orders and price agreement transactions with DBE vendors has increased from \$2.3 million in 2005 to \$3.7 million in 2007, an increase of 60%. The 2007 figure equates to approximately 18.6% of centralized purchases. Changes to County Ordinances and procedures may be needed to implement an effective, legal strategy for increasing DBE participation.

Customer Satisfaction

In a 1998 audit of Procurement, we conducted a customer satisfaction survey of County department staff that interact with Procurement staff. **Exhibit 3** shows the results of that 1998 survey. As part of our current audit, we conducted a similar survey, comprised primarily of the same questions used in 1998. The results of our 2007 survey are shown in **Exhibit 4**.

Using identical questions from our previous survey provides a direct comparison of customer satisfaction with Procurement operations under two distinct scenarios. As previously discussed, there were significantly more Procurement staff (5 buyers) in 1998 than in 2007 (two buyers). In addition, our audit report from 1998 identified no significant internal control weaknesses involving centralized purchases, indicating much more effective management oversight, than is currently evident.

Customer satisfaction with the procurement function, as indicated in our 2007 survey, is consistent with results depicted in our 1998 survey. Although details of the survey responses show an across-the-board decline in the top rankings of 'excellent' and 'all the time,' the overwhelmingly positive responses in current survey speaks well of staff performance given the reduction in resources detailed in this report.

One measure of Procurement's staff performance may help explain the generally favorable level of customer satisfaction indicated in our current survey. We drew a random sample of 184 purchases across all four purchasing categories totaling \$5.65 million from 2006 transactions and analyzed the timeliness with which Procurement staff processed the various purchase orders received from departments. Across all purchasing categories, Procurement completed a large majority of transactions in less than 11 calendar days, or less than two business weeks.

Conclusions

The results of our customer satisfaction survey, indicating County departments' high degree of satisfaction with Procurement services, may seem inconsistent with the management issues detailed in this audit report. However, we believe the results are consistent with a customer-oriented staff that has developed short-cuts to maintain a high level of service in the face of declining staff resources. Examples of short-cuts we observed, which come at the expense of maintaining a sound structure of internal controls, include lack of management reviews, careless recordkeeping, multiple extensions of contracts, and a lack of strict observance of procedures.

Addressing the issues identified in this report will permit current Procurement management to establish a sound system of internal controls, reduce the risk of undetected errors or manipulations of County purchasing transactions, while building on the positive customer relations established under previous management.

Background

Purchasing Authority

The Procurement Division (Procurement) of the Department of Administrative Services, under the direction of the department director, is empowered by Chapter 32 of the Milwaukee County Ordinances to purchase or contract for supplies, materials, equipment and contractual services needed by Milwaukee County departments, agencies and institutions. These duties are performed under the direct supervision of the Purchasing Administrator. This authority does not include contracts awarded by the Department of Public Works under Chapter 44 of the County Ordinances, for purchase of service contracts acquired for social services under Chapter 46 of the Ordinances, or for professional services contracts awarded by departmental administrators under s. 56.30 of the Ordinances. As detailed in Chapter 32 of the Ordinances (see **Exhibit 2**), Procurement is also authorized to develop standards, prepare specifications, sign and issue contracts and purchase orders, process requests for proposals and assist the Milwaukee County Transit System processing of purchase orders.

Types of Purchases

With the above-noted exceptions, authority for County purchases are placed with Procurement. As permitted by Ordinance, the Purchasing Administrator delegates some purchasing authority to County departments through the use of decentralized (departmental) purchase orders (up to \$2,000—recently increased from \$1,000) and through the use of a Milwaukee County Procurement Card (up to \$2,000), which operates in similar fashion to a commercial credit card. In addition, departments may make purchases, subject to budget appropriation constraints, from vendors that have master price agreements with the County. Procurement establishes master price agreements with vendors as a result of sealed competitive bids. Departments make purchases from these vendors using price agreement releases.

Purchases conducted by Procurement staff generally fall within four categories:

- **Discretionary** — Purchases having an aggregate value of \$10,000 or less may be made at the discretion of the buyer, using centralized purchase orders.
- **Open Market** — Purchases having an aggregate value in excess of \$10,000 and less than \$25,000 are to be made by solicitation of three quotations documented by the buyer.

- **Informal** — Purchases with aggregate values of at least \$25,000 but less than \$50,000 are to be made by soliciting all applicable vendors from the vendor's list maintained by Procurement, with the contract awarded on the basis of sealed bids.
- **Formal** — Purchases having an aggregate value of \$50,000 or more are to be made by soliciting all applicable vendors from the vendor's list, as well as an open solicitation by public notice, with the contract awarded on the basis of sealed bids.

A breakdown of 2006 and 2007 purchases is provided in **Table 1**.

Table 1 Milwaukee County Purchases 2006–2007				
Type of Purchases	2006		2007	
	Number of Orders	Amount	Number of Orders	Amount
Procurement				
Formal Purchases	73	\$8,557,065	63	\$10,021,908
Discretionary Purchases	1,425	4,980,601	1,443	5,189,245
Open Market Purchases	192	2,971,092	170	2,706,058
Informal Purchases	<u>73</u>	<u>2,573,740</u>	<u>57</u>	<u>1,935,904</u>
Procurement Sub-Total	1,763	\$19,082,498	1,733	\$19,853,115
Departments				
Price Agreement Releases	14,836	\$23,987,866	14,685	\$23,897,810
Procurement Card Purchases	15,750*	3,561,054	18,412	4,343,284
Decentralized Purchase Orders	<u>8,365</u>	<u>2,568,454</u>	<u>8,952</u>	<u>2,854,969</u>
Departments Sub-Total	23,201	\$30,117,374	42,049	\$31,096,063
Milwaukee County Purchasing Total		<u>\$49,199,872</u>		<u>\$50,949,178</u>
* Estimated.				
Source: Accounts Payable records.				

Resources Devoted to Procurement

Table 2 shows total expenditures and the number of authorized positions for Procurement in each of the past ten years. As discussed later in this report, the number of positions shown in **Table 2** are authorized and funded, but may not be filled.

Table 2
Procurement Division Resources
1998—2007

<u>Year</u>	<u>Expenditures</u>	<u>FTE</u>
1998	\$686,027	13.0
1999	715,360	15.0
2000	928,324	15.0
2001	910,407	15.1
2002	939,667	14.1
2003	813,203	13.1
2004	741,438	9.7
2005	693,141	10.1
2006	569,406	10.7
2007	520,620	9.0

FTE = Budgeted Full Time Equivalent Positions (Funded)

Source: Milwaukee County Adopted Budgets and Advantage System records.

Management Change

The remainder of this audit report details the results of our review of Procurement operations, primarily focusing on compliance with applicable laws, regulations and policies during the period January 1, 2004 through December 31, 2006. A more detailed description of the scope and objectives of this audit, as well as the methodologies employed to achieve audit objectives, is presented as **Exhibit 1**. Shortly after the beginning of audit fieldwork, the former Purchasing Administrator retired. At that time, the Audit Compliance Manager, an employee of the Department of Audit, accepted a temporary assignment as the Interim Purchasing Administrator. Subsequently, that individual applied for and received a civil service appointment as the Purchasing Administrator, effective November 4, 2007. Because this audit generally focuses on operations prior to the appointment of the current Purchasing Administrator, we do not believe this course of events constitutes a conflict of interest; we present this information for the purpose of full disclosure.

Section 1: General Conditions Observed

We observed numerous conditions that, viewed independently of one another, served as a series of ‘red flags.’

During the course of our audit fieldwork, we observed numerous conditions that, viewed independently of one another, served as a series of ‘red flags’—items that did not conform to expected norms of good business practice. These red flags include:

- Insufficient segregation of duties among Procurement staff, resulting in unnecessary exposure to losses from undetected errors or manipulations.
- Lack of a management review and approval process for all types of purchasing transactions, including purchases of \$50,000 or more.
- Non-compliance with some important County Ordinances and departmental policies and procedures.
- Significant deficiencies in Procurement’s written policies and procedures.
- Virtually no formal job training provided by management.
- Generally careless record keeping, reflected in the inability of Procurement staff to locate several files and important payroll documents.

Collectively, these red flags reflect a breakdown of internal controls and indicate a lapse in former management’s oversight of Procurement operations.

Segregation of duties is a central tenet of a sound system of internal controls.

Segregation of Duties

Segregation of duties is a central tenet of a sound system of internal controls. It reduces the risk of both erroneous and inappropriate actions. For example, separating the functions of requisitioning, ordering, receiving and authorizing payment for goods eliminates the ability of one employee to place an order and, through manipulation of records, either divert the goods for personal use, or authorize payment for goods that were never actually received. When it is extremely difficult or impractical to separate these functions, a detailed supervisory review of related

activities or transactions is required as a compensating control activity. Safeguarding assets is a core management responsibility. Establishing an appropriate separation of duties and related checks and balances to either prevent or detect inappropriate transactions is the manner in which management fulfills this responsibility.

Separate organizational responsibility for the functions of purchasing, authorizing payment and paying for goods creates a strong framework of checks and balances for the County as a whole.

Separate organizational responsibility for the functions of purchasing (Procurement), authorizing payment (individual departments) and paying for goods (Accounts Payable Section of the Department of Administration) creates a strong framework of checks and balances for the County as a whole. However, within Procurement, buyers routinely authorized their own purchases.

In 2003, the former Purchasing Administrator changed established policy, resulting in buyers authorizing their own purchases without management review.

Until 2003, established policy called for management review and approval, including sign-off, of all purchases. In 2003, the former Purchasing Administrator changed this established policy, resulting in buyers authorizing their own purchases without management review. At that time, the former Purchasing Administrator told us that she changed the policy, after consultation with the former Director of Administrative Services, to free her time for other matters. In a report dated September 8, 2003 [File No. 02-503(a)(o)], we made the following recommendation to the Procurement Division:

“Either revert back to its long-standing practice of having all purchases reviewed and approved by the Purchasing Administrator or her management-level designee, or develop a methodology to spot-check each buyer’s purchasing decisions on a regular basis.”

Although the former Purchasing Administrator agreed in writing to implement the audit recommendation, our review of purchasing documents from 2006 confirmed that the policy of non-approval remained in effect, with no evidence of managerial spot-checks on buyers’ purchasing decisions. Specifically, from

The 140 transactions from our sample that were processed, signed and approved by a lone buyer totaled \$4.7 million of purchases.

a random sample of 184 purchasing documents, 140 (76%) were processed, signed, and approved by a lone buyer without any management or supervisory signatory approval. Most of the remaining purchases from our sample involved the efforts of more than one buyer. In some instances (for example, seven of the 50 Open Market purchases we reviewed) there was evidence of some management involvement. Each of those seven instances involved the Procurement Administrator signing off on a sole source purchase. The 140 transactions from our sample that were processed, signed and approved by a lone buyer totaled \$4.7 million of purchases. Of particular concern is the category of Discretionary Purchases (those in amounts of \$10,000 or less), which are left to the sole discretion of buyers and have no requirements for documenting the decision-making process for selecting a particular vendor. Discretionary Purchases by Procurement buyers totaled approximately \$5.0 million in 2006 and \$5.2 million in 2007.

To reduce the opportunity for undetected errors or manipulations, we repeat our 2003 comment and recommend that the Procurement Division:

- 1. Either revert back to its long-standing practice of having all purchases reviewed and approved by the Purchasing Administrator or a management-level designee, or develop a methodology to spot-check each buyer's purchasing decisions on a regular basis.*
- 2. Establish a requirement that buyers document in the file a rationale for their selection of a particular vendor on all Discretionary Purchases.*

Another example of a lack of segregation of duties involved the entry of payroll data related to Temporary Assignments to a Higher Classification.

Temporary Assignments to a Higher Classification

Another example of a lack of segregation of duties within Procurement identified during our review involved the entry of payroll data related to Temporary Assignments to a Higher Classification (TAHCs). TAHCs are a tool available to County managers to temporarily promote employees to vacant positions to address staffing needs created by sudden departures or other

Manual adjusting entries to the County's payroll system are required to effectuate temporary compensation increases associated with TAHCs.

temporary workload issues. Manual adjusting entries to the County's payroll system are required to effectuate temporary compensation increases associated with TAHCs.

According to available documents, payroll records and discussions with Procurement staff, one staff person was placed in various TAHCs to four different positions within Procurement during the time period October 28, 2002 through July 14, 2007. As discussed later in this report, this period of heavy reliance on TAHCs coincides with a reduction of more than 50% in actual Procurement staff. For several months beginning in November 2006, this same staff person was assigned the duties of payroll clerk for the division and routinely input the manual adjustments needed to achieve the higher rate of pay associated with a TAHC.

County procedures call for one copy of a TAHC to be filed with the Division of Human Resources, one copy provided to the individual, and one copy retained by the initiating department. However, we were able to locate copies of only 11 TAHC forms, covering just 518 of the 836 days (62.0%) during which the Procurement staff person received the higher TAHC wage rates.

Neither the individual in question nor the former Purchasing Administrator could explain the lapses in documentation for the TAHCs, but both parties stated without equivocation that each of the temporary assignments was authorized by management and necessary to complete work in an under-staffed division.

The circumstances in this instance expose a serious internal control problem related to manual payroll adjustments that is applicable Countywide.

The circumstances in this instance expose a serious internal control problem related to manual payroll adjustments that is applicable Countywide. It is our understanding that, under the County's new Ceridian human resources web system, monitoring the use of TAHCs is easily facilitated, but manual intervention by payroll clerks is still required to generate higher pay rates associated with TAHCs.

To prevent the opportunity for unauthorized manual payroll adjustments, we recommend the Procurement Division:

3. *Work with the Department of Administrative Services to establish administrative procedures, for County Board consideration, requiring the production of an exception report identifying individuals in each organization unit that receives an hourly wage rate in excess of their established rates. Such procedures should also require departments to establish administrative review procedures to match wage rate exception reports with documents authorizing such variances.*

Non-Compliance with County Ordinances

Yet another example of poor segregation of duties within Procurement was identified during observations of a sealed bid opening. According to s. 32.25 (6)(a) of the County Ordinances, sealed bids must be administered in the following manner:

(6) *Sealed bids.*

County Ordinances require that all sealed bids shall be received in the Office of the County Clerk.

- (a) All sealed bids shall be received in the office of the county clerk and transferred to the procurement division at the time of bid opening, which shall be conducted in public at a specified date, time and place.

The provisions of s. 32.25 (6)(a) are designed to instill public confidence in the public bidding process, creating a separation between the administrative body that opens, reviews and evaluates bids, and the elected official entrusted to receive and safeguard the contents of sealed bids.

Despite this Ordinance requirement, bids since 2003 have been submitted directly to the Procurement Division instead of the County Clerk's Office.

Despite this Ordinance requirement and a formal written procedure to the contrary, bids since 2003 have been submitted directly to the Procurement Division instead of the County Clerk's Office for safekeeping until the time of the bid opening. This practice was instituted at the direction of the former Purchasing Administrator, who indicated there was insufficient funds to pay for a courier service to transport the bids, and that private courier service was not always punctual. Additional concerns included delays experienced by some prospective bidders related to

inconvenient public parking and security checks upon entering the County Courthouse, where the County Clerk's Office is located.

Further, we noted that all members of the Procurement staff have access to the key to the locked bid box used to secure sealed bids in the Procurement Division. During our audit review, an auditor observed a sealed-bid opening where only the buyer was present. The buyer conducted the bid opening in the privacy of his office, noting that no one had attended the bid opening. Both buyers currently on staff indicated that it is standard practice to open bids in the presence of another staff member in cases when no one attends a scheduled public bid opening. However, there is no formal documentation that such openings are witnessed, and according to one buyer, there have been instances when bids were opened without being witnessed by another party.

To comply with s. 32.25 (6)(a) and to protect the integrity of the open public bidding process, we recommend the Procurement Division:

4. *Resume the practice of directing prospective bidders to submit sealed bids to the Office of the County Clerk, to be transferred to the Procurement division at the time of bid opening.*

Alternatively, propose, for County Board consideration , a revision to s. 32.25 (6)(a) of the Ordinances that retains an acceptable separation between the functions of receiving and opening sealed bids.

5. *Establish formal requirements that all bid openings conducted by Procurement staff are documented as witnessed by at least one other party.*

We also noted that Procurement does not directly notify vendors on its approved vendor list of upcoming public bidding opportunities for the informal and formal purchasing categories

(\$25,000 or more), as required by s. 32.25 of the Ordinances.

According to the Ordinance:

- “(4) *Informal purchases.* Any procurement having an estimated aggregate value of twenty-five thousand dollars (\$25,000.00) and less than fifty thousand dollars (\$50,000.00) shall be solicited from all vendors of the item on the vendor's list maintained by the procurement division and the contract awarded by sealed bidding.
- (5) *Formal purchases.* Any procurement having an estimated aggregate value of fifty thousand dollars (\$50,000.00) or more shall have sealed bids solicited by public notice inserted at least once on the official county web-site at least two (2) weeks before the bid opening date, and by posting official notice on the procurement board in the procurement division office for the same period. The procurement division shall solicit sealed bids by mail from all vendors of the item on the vendor list maintained by the procurement division.”

Instead, Procurement has relied solely on posting such opportunities on its website.

Funding for an electronic notification system (i.e., direct e-mail) was included in the 2007 Adopted Budget, but was not pursued by the former Purchasing Administrator. The current Purchasing Administrator has recently pursued development of this system with the Information Management System Division of DAS.

To ensure compliance with s. 32.23 of the Ordinances regarding solicitation of bids from vendors, we recommend the Procurement Division:

- 6. *Ensure completion of the Procurement electronic mail notification system in 2008.*

We noted that Procurement records were in a general state of disarray.

Careless Recordkeeping

During the course of our audit, we noted that Procurement records were in a general state of disarray. We were unable to

locate two files from our random sample of 184 purchases processed in 2006. Additionally, we found several instances where files were placed out of order within file cabinets. We previously noted that records of numerous TAHCs could not be located on file at Procurement. Such careless recordkeeping practices result in both inefficiencies and errors in the course of standard business operations, and exposes the County to unnecessary risk should Procurement be unable to produce documents pertaining to a contested contract award.

To reduce the potential for inefficiencies and errors in standard business operations, we recommend the Procurement Division:

7. Reinforce and monitor staff in good recordkeeping practices.

It is important to note that since our 2003 audit of Procurement, total centralized purchases have remained relatively stable, totaling \$21.7 million in 2003 compared to \$19.9 million in 2007. Yet, as shown in **Table 3**, current staffing at Procurement has decreased significantly since 2003.

Table 3 Procurement Division Staffing 2003—2007		
<u>Year</u>	<u>Authorized FTE</u>	<u>Actual FTE</u>
2003	13.1	8.7
2004	9.7	6.2
2005	10.1	4.8
2006	10.7	4.9
2007	9.0	4.0
FTE = Full time Equivalent Positions (Funded)		
Source: Milwaukee County Adopted Budgets and payroll data.		

When adjusted for vacancies and staff turnover, actual Procurement staffing was reduced from 8.7 FTE in 2003 to 4.0 FTE in 2007, a reduction of 54%.

As shown in **Table 3**, when adjusted for vacancies and staff turnover, actual Procurement staffing was reduced from 8.7 FTE in 2003 to 4.0 FTE in 2007, a reduction of 54%. Further detail provided from our review of payroll data shows that in 2003,

Procurement had 4.7 FTE positions whose primary responsibility was buying products and services (3.7 Buyer 2s and one Purchasing Coordinator). In 2007, Procurement had just 2.0 FTE positions primarily devoted to purchasing products and services.

As a result of a gradual decline in staff resources, by mid-year 2007, Procurement was overseeing approximately \$50 million in purchases (\$19 million centralized, \$31 million decentralized) with just two buyers, an administrative specialist and the Purchasing Administrator, the lone management-level position. Such concentration of purchasing power in the hands of two individuals, with no managerial review or approval is a disturbing sign of inadequate management oversight.

According to the new Purchasing Administrator, he has reviewed and initialed all purchasing transactions processed by the two buyers on staff since assuming his position in July 2007. This practice should be formalized as departmental policy.

Implications of Reduced Staff Resources

Many of our observations concerning the state of operations in the Procurement Division can be viewed as a logical consequence of steadily declining staff resources.

Many of our observations concerning the state of operations in the Procurement Division can be viewed as a logical consequence of steadily declining staff resources. As staff resources, particularly at the Buyer level have declined, we note the following conditions that either were not present, or were just emerging, in our 2003 review of Procurement:

- A heavy reliance on sole source purchases. From our random sample of 119 purchases in 2006 valued at greater than \$10,000, 89 (74.8%) were processed as 'sole source' purchases. Such purchases are less time consuming than those involving the gathering of informal quotes or formal public bids.

Further, our review showed that records of at least 20 of these sole source purchases displayed no indication that the sole source status had been scrutinized since 1994. Ever changing technologies and markets call for regular review of sole source determinations to ensure the County does not

overlook potential opportunities to reap the benefits of competitive bidding.

- Written policies and procedures have not been updated since 2002, even though significant procedural changes have occurred.
- Formal staff training is virtually non-existent; the current buyers have received informal, on-the-job training only. In our 2007 Annual Fraud Hotline Report, we described our review of a formal bid conducted by Procurement staff. The methodology used by Procurement staff to rate the nine bids in that instance was flawed. Procurement staff added each of three rates submitted by the bidders to calculate a total cost. However, the three rates were not compatible. Bid documents requested one rate on a per-month, flat fee basis. The second rate was requested on an hourly rate basis. The third rate was requested on a rate-per-square-foot basis. Despite the lack of comparability, the buyer simply added the three rate quotes, rather than computing an annual cost for each service based on the vendors' respective rates, to arrive at a total annual cost of services for each bidder. This type of fundamental error displays a need for formal staff training as well as management review of staff performance.
- Job responsibilities are blurred. As previously noted, one Procurement staff person has variously performed payroll, buyer, supervisory and clerical responsibilities, during the past several years, frequently utilizing what is intended to be a temporary staffing tool (TAHCs) on virtually a routine basis.
- Careless recordkeeping. Failure to maintain orderly records can be symptomatic of fewer staff, with greater workloads, taking shortcuts.

Conclusions

In this section of the report, we identified a series of conditions that, viewed in totality, are indicative of a poor structure of internal control. Establishing a sound internal control environment is a critical management responsibility. This responsibility includes both developing, and ensuring compliance with, specific policies and procedures designed to limit an organization's exposure to the risk of losses due to undetected errors or manipulations of transactions. As Milwaukee County's focal point for some \$50 million in annual purchases, effective oversight of operations by Procurement management is critically important.

Establishing a sound internal control environment is a critical management responsibility.

To bolster Procurement's system of internal controls and meet its management oversight responsibility, we recommend the Procurement Division:

- 8. Initiate a review of Best Practices in government procurement policies and procedures and incorporate such in a complete revision of Milwaukee County Procurement policies and procedures. Particular attention should be paid to concepts of sound internal control and segregation of duties.*
- 9. Establish a formal training program for staff buyers regarding the procedures developed in conjunction with recommendation number eight.*
- 10. In conjunction with the Best Practices review recommended in this report, initiate a staff re-organization plan to enhance the internal control structure of the Procurement Division. This should include adding positions sufficient to allow for proper segregation of duties, an increase of at least one or more buyers to provide capacity for greater specialization, and an additional supervisory or management position to provide greater management oversight of operations.*
- 11. Establish a practice of reviewing, on a regular basis, the justification for applying sole source status to recurring purchases.*

As detailed in this report, our review of Procurement operations during the course of our current audit indicates a lapse in prior management's oversight. While no specific instances of significant errors or manipulations of transactions were noted during our review, this lapse has created an unacceptable exposure to such problems. As a result, timely implementation of audit recommendations addressing weaknesses identified in the report is imperative. As previously noted, the current Purchasing Administrator assumed his position on an interim basis in July 2007 and was hired as a regular appointment on November 4, 2007. Since his appointment, the current Purchasing Administrator has taken the following actions.

- Reviews and approves all buyer transactions, providing management oversight that has been lacking since 2003.
- Increased departmental purchasing order authority from \$1,000 to \$2,000 per transaction. This action was authorized

Since his appointment, the current Purchasing Administrator has taken several positive actions.

by County Ordinance in 2003 and provides consistency between departmental authority for purchase orders and purchasing card transactions. This action will provide needed relief to Procurement buyers.

- Advanced the process of implementing an electronic notification system (i.e., direct e-mail notification) of upcoming public bids for prospective vendors.
- Explored additional cooperative purchasing arrangements in addition to the current 'piggyback' arrangement on State purchasing contracts.
- Initiated the process to add a staff position.
- Is currently gathering data and researching legal avenues to increase Disadvantaged Business Enterprise (DBE) participation in Procurement purchases. According to vendor payment data obtained by the Purchasing Administrator, the dollar value of centralized purchase orders and price agreement transactions with DBE vendors has increased from \$2.3 million in 2005 to \$3.7 million in 2007, an increase of 60%. The 2007 figure equates to approximately 18.6% of centralized purchases. Changes to County Ordinances and procedures may be needed to implement an effective, legal strategy for increasing DBE participation.

Section 2: Departmental Satisfaction With Procurement Services

We conducted a customer satisfaction survey, comprised primarily of the same questions we asked in a 1998 survey.

In a 1998 audit of Procurement, we conducted a customer satisfaction survey of County department staff that interact with Procurement staff. **Exhibit 3** shows the results of that 1998 survey.

As part of our current audit, we conducted a similar survey, comprised primarily of the same questions used in 1998. The results of our current survey are shown in **Exhibit 4**.

Using identical questions from our previous survey provides a direct comparison of customer satisfaction with Procurement operations under two distinct scenarios. As previously discussed, there were significantly more Procurement staff (5 buyers) in 1998 than in 2007 (two buyers). In addition, our audit report from 1998 identified no significant internal control weaknesses involving centralized purchases, indicating much more effective management oversight, than is currently evident. **Table 4** compares, in summary fashion, the percentage of survey respondents indicating either positive or negative responses to questions in customer satisfaction under the two scenarios.

Table 4
Summary Comparison of
1998 and 2007 Audit Surveys of
Procurement Function

<u>Question</u>	-----Favorable Responses-----	
	<u>1998 Survey</u>	<u>2007 Survey</u>
Quality of products purchased	96.7%	96.3%
Price of products purchased	93.5	96.4
Satisfaction with timeliness	80.6	85.7
Satisfaction with helpfulness	80.6	89.7
Buyer's product knowledge	71.0	71.4
Staff professionalism	N/A	89.3
Management's response to problems	N/A	81.5
Efficiency/effectiveness of operations	N/A	93.1
Staff contacts appropriate number of vendors	N/A	88.9
N/A = Not asked in 1998 survey.		
Source: Department of Audit customers satisfaction surveys, 1998 and 2007 (see Exhibits 3 and 4, respectively).		

Customer satisfaction with the procurement function, as indicated in our 2007 survey, is consistent with results of our 1998 survey.

As shown in **Table 4**, customer satisfaction with the procurement function, as indicated in our 2007 survey, is consistent with results depicted in our 1998 survey. Although details of the survey responses (see **Exhibits 3 and 4**) show an across-the-board decline in the top rankings of 'excellent' and 'always,' the overwhelmingly positive responses in the current survey speaks well of staff performance given the reduction in resources previously detailed in this report.

One measure of Procurement's staff performance may help explain the generally favorable level of customer satisfaction indicated in our current survey. We drew a random sample of 184 purchases totaling \$5.65 million from 2006 across all four purchasing categories (see the **Background** section of this

report for explanations of the four purchasing categories) and analyzed the timeliness with which Procurement staff processed the various purchase orders received from departments.

Table 5 shows the results of our timeliness review, measured in terms of the number of days between the date a purchase requisition was received by Procurement and the date the order was processed.

Table 5 Timeliness of Purchasing Process 2006 Purchases				
<u>Purchasing Category</u>	<u>Length of Time to Process</u>	<u>No. of Orders</u>	<u>Percent</u>	<u>Cumulative Percent</u>
Discretionary	Not Found	1	1.5%	1.5%
	< 11 Days	54	83.1	84.6
	11 to 31 Days	7	10.8	95.4
	> 31 Days	<u>3</u>	<u>4.6</u>	100.0
	Sub-Total	65	100.0%	
Formal	Not Found	2	7.1%	7.1%
	< 11 Days	18	64.4	71.5
	11 to 31 Days	6	21.4	92.9
	> 31 Days	<u>2</u>	<u>7.1</u>	100.0
	Sub-Total	28	100.0%	
Informal	Not Found	1	2.4%	2.4%
	< 11 Days	31	75.6	78.0
	11 to 31 Days	4	9.8	87.8
	> 31 Days	<u>5</u>	<u>12.2</u>	100.0
	Sub-Total	41	100.0%	
Open Market	Not Found	2	4.0%	4.0%
	< 11 Days	37	74.0	78.0
	11 to 31 Days	4	8.0	86.0
	> 31 Days	<u>7</u>	<u>14.0</u>	100.0
	Sub-Total	50	100.0%	
Grand Total Sample		<u>184</u>		
Source: Department of Audit sample of Procurement records.				

Across all purchasing categories, Procurement completed a large majority of transactions in less than 11 calendar days.

We believe the results are consistent with a customer-oriented staff that has developed short-cuts to maintain a high level of service in the face of declining staff resources.

Table 5 shows that across all purchasing categories, Procurement completed a large majority of transactions in less than 11 calendar days, or less than two business weeks.

Conclusions

The results of our customer satisfaction survey, indicating County departments' high degree of satisfaction with Procurement services, may seem inconsistent with the management issues detailed in **Section 1** of this audit report. However, we believe the results are consistent with a customer-oriented staff that has developed short-cuts to maintain a high level of service in the face of declining staff resources. Examples of short-cuts we observed, which come at the expense of maintaining a sound structure of internal controls, include lack of management reviews, careless recordkeeping, numerous extensions of contracts, and a lack of strict observance of procedures.

Addressing the issues identified in this report will permit current Procurement management to establish a sound system of internal controls, reduce the risk of undetected errors or manipulations of County purchasing transactions, while building on the positive customer relations established under previous management.

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Audit Scope

The objective of this audit was to review Procurement operations to assess the adequacy of the internal control structure and to determine compliance with applicable County regulations.

The audit was conducted under standards set forth in the United States Government Accountability Office *Government Auditing Standards (2003 Revision)*.

We limited our review to the areas specified in this Scope Section. During the course of the audit, we:

- Reviewed applicable regulations and other requirements related to Purchasing.
- Reviewed past audit reports, County budgets, and County ordinances.
- Reviewed and examined related policies and procedures.
- Analyzed Advantage financial transactions, payment data, and related reports.
- Conducted random sampling of paid purchases for 2006 to facilitate purchase order records review.
- Interviewed Procurement management and staff regarding budget, staffing decline, bid notification and processing, and purchase requisition processing.
- Attended bid openings.
- Contacted the State of Wisconsin, Waukesha County and the City of Milwaukee regarding their purchasing functions.
- Reviewed payroll records and procurement files.
- Evaluated the performance of Procurement Division regarding the length of time it takes to process a purchasing transaction from the time the Division receives a purchase requisition to the time a purchase order is generated.
- Conducted a survey of County Departments to assess and identify concerns departments may have with regard to the quality, pricing, and timing of purchases acquired through Procurement Division in addition to the helpfulness of the Division's staff.

MILWAUKEE COUNTY CODE OF GENERAL ORDINANCES

SUBCHAPTER II. PROCUREMENT DIVISION

32.20. Words and phrases defined.

In this subchapter, the following words and phrases have the designated meanings unless a different meaning is expressly provided or the context clearly indicates a different meaning:

- (1) "Blanket contract" means a contract for purchases to be made as required over a specific period of time for a fixed price, but no guaranteed quantity.
- (2) "Contractual service" means all services except utilities, professional services, chapter 44 public works contracts, and repairs or alterations to buildings or structures.
- (3) "Day" means the normal working day which excludes Saturdays, Sundays or major holidays.
- (4) "Department head" means the chief executive officer of a principal administrative unit of county government who administratively reports directly to a board, commission, the county executive or is an elected official.
- (5) "Lowest bidder" means a person or firm which has submitted the most advantageous price.
- (6) "Procurement" means buying, purchasing, renting, leasing, or otherwise acquiring any supplies, materials, equipment and contractual services. It also encompasses all functions that pertain to obtaining the above, including description of requirements, selection and solicitation of sources, preparation and award of contract and all phases of administration.
- (7) "Professional service" carries the definition found in section 56.30(1)(a) of the Code. Departments contracting for professional services will follow the procedures set forth therein.
- (8) "Qualified bidder" means a person or firm which has not been disqualified from selling to the county because of unsatisfactory performance.
- (9) "Responsible bidder" means a person or firm which has the capacity in all respects to perform fully the contract requirements, and the integrity and reliability which will assume good faith performance.
- (10) "Responsive bidder" means a person or firm which has submitted a bid which conforms in all material respects to the invitation to bid.
- (11) "Specification" means any description of the physical or functional characteristics, or of the nature of a supply service or other item. It may include a description of any requirement for inspecting, testing or preparing a supply, service or other item for delivery.
- (12) "Standard" means that which is set and established by authority, custom or general consent as the quality, quantity or method that is proper and adequate for a given purpose.
- (13) "Supplies, materials and equipment" means all commodities and other tangible articles or things purchased from a county appropriation except appropriations for John L. Doyme Hospital.
- (14) Computation of time limits expressed in hours or days shall exclude Saturdays, Sundays and legal holidays.
- (15) "Negotiations" means contracting through the use of either competitive or other-than-competitive proposals and discussions. Any contract having an estimated aggregate value in excess of twenty thousand dollars (\$20,000.00) awarded without using sealed bidding procedures is a negotiated contract.
- (16) "Competitive range" means all offerors that are determined to have a reasonable chance of being selected for award based on cost or price and other factors stated in the solicitation. This definition applies only to negotiated procurements as set forth in sections 32.36 through 32.52.

32.21. General administration.

The procurement division shall be directly supervised by the purchasing administrator, and its general policies shall be subject to the review of the director of the department of administration, except for those matters under the jurisdiction of the purchasing standardization committee.

32.22. Department of administration.

(1) The department of administration through its procurement division shall have the following powers and perform the following duties:

- (a) Adopt, promulgate, and from time to time amend rules, regulations and procedures and enforce the provisions of this chapter.
- (b) Purchase or contract for all supplies, materials, equipment and contractual services.
- (c) Prepare and maintain purchasing manuals setting forth the purchasing procedures, rules and regulations.
- (d) The director of the department of administration, or designee, shall sign contracts or issue purchase orders for supplies, materials, equipment or services when authorized under the provisions of this chapter.
- (e) Develop and recommend standards for purchasing standardization committee approval. Enforce the use of standards and specifications established under the provisions of this chapter.
- (f) Have charge of storage facilities established centrally for the use of all departments.
- (g) Conduct public auctions and accept competitive bids for the sale of county property which has been declared surplus by the facilities management division of the department of public works.
- (h) Prescribe the manner of inspecting supplies, materials and equipment and of determining compliance with specifications.
- (i) Determine if bid deposits or performance bonds are necessary and prescribe the amount.
- (j) Make use of the laboratory, engineering, facilities and technical staffs of the county and others as required.

32.23. Purchasing standardization committee.

(1) There shall be a purchasing standardization committee composed of three (3) private citizens: a representative of: the department of human resources, department of parks, recreation and culture, department of public works and the sheriff's department. Each of the departmental representatives shall be selected by the department head. The private citizen members are to be appointed by the county executive for a term of four (4) years, subject to the confirmation of the county board, and shall be residents of the county who are knowledgeable in procurement. A representative of the corporation counsel's office, the standards coordinator and the purchasing administrator shall be technical advisers to the committee.

(2) The committee is empowered to do the following:

- (a) Adopt operating rules and procedures, and shall elect a vice-chairperson, for a one-year term, and such other officers as may be required.
 - (b) Review supplies, materials and equipment commonly used for adoption of appropriate standards by all departments except John L. Doyné Hospital.
 - (c) Adopt, revise and promulgate written standards which satisfy the requirements of the county. After adoption, they shall apply to every future purchase and contract for the commodity described, unless exempted by the committee.
- (3) Establish technical subcommittees.
- (4) Hear appeals as defined in section 32.26.

32.24. Technical subcommittees.

The standards coordinator shall coordinate the organization and work of technical subcommittees, and act as liaison between them and the purchasing standardization committee. Technical subcommittees shall be composed of the procurement division buyer responsible for those commodities, and other representatives having expertise therein.

32.25. Purchasing and contracting procedure.

(1) Purchases of supplies, materials, equipment and contractual services shall be based on competitive bids. Bids may be rejected when it is determined by the purchasing administrator that to award a contract would not be in the best interest of the county. The method of evaluating bids and awarding contracts shall be stated in each bid document. Contracts shall be awarded to the lowest, qualified, responsive, responsible bidder. If equal low and responsive bids are received, the purchasing administrator shall break the tie by a lot drawing in the presence of a buyer and another

member of the procurement division at a specific time and date. The tied bidders shall receive written advance notice.

(2) *Discretionary purchases.* Any procurement having an estimated aggregate value of ten thousand dollars (\$10,000.00) or less shall be made at the discretion of the buyer.

(3) *Open market purchase.* Any procurement having an estimated aggregate value in excess of ten thousand dollars (\$10,000.00) and less than twenty-five thousand dollars (\$25,000.00) shall be made by solicitation of three (3) quotations documented by the buyer.

(4) *Informal purchases.* Any procurement having an estimated aggregate value of twenty-five thousand dollars (\$25,000.00) and less than fifty thousand dollars (\$50,000.00) shall be solicited from all vendors of the item on the vendor's list maintained by the procurement division and the contract awarded by sealed bidding.

(5) *Formal purchases.* Any procurement having an estimated aggregate value of fifty thousand dollars (\$50,000.00) or more shall have sealed bids solicited by public notice inserted at least once on the official county web-site at least two (2) weeks before the bid opening date, and by posting official notice on the procurement board in the procurement division office for the same period. The procurement division shall solicit sealed bids by mail from all vendors of the item on the vendor list maintained by the procurement division.

(6) *Sealed bids.*

(a) All sealed bids shall be received in the office of the county clerk and transferred to the procurement division at the time of bid opening, which shall be conducted in public at a specified date, time and place.

(b) A summary of each bid, with the name of all bidders, shall be posted for public inspection in the office of the procurement division during regular county business hours for a period of not less than ten (10) days after award.

(c) A noncollusive statement requiring the signature of an authorized officer of the bidder shall be included in each sealed bid. The purchasing administrator shall report suspected collusive bids to the district attorney.

(7) *Exceptions.*

(a) Competitive bidding requirements of this chapter shall apply, except as follows:

(1) When, after soliciting sealed bids, it is determined by the purchasing administrator, and verified by the purchasing standardization committee, that no valid bids have been received, the purchasing standardization committee may authorize procurement without competition.

(2) Purchases from a single source which, by their nature, are not adapted to award by competitive bidding as determined by the purchasing administrator and approved by the purchasing standardization committee.

(3) Purchases from any federal, state or local governmental unit or agency of surplus materials, supplies, commodities or equipment, as approved by the committee on financial and audit of the county board, and otherwise when expressly authorized by the county board.

(4) Discretionary purchase of five thousand dollars (\$5,000.00) or less as authorized in paragraph 32.25(2) of this section.

(5) Purchases made by John L. Doyne Hospital.

(6) Any contract for a public works construction project where the director of public works or his/her designee has recommended, and the purchasing administrator has agreed in writing, that the purchasing administrator shall negotiate for the purpose of services, supplies, materials or equipment needed for such project.

(b) Purchase of name brand items for resale may be awarded to other than the low bidder.

(c) Purchases required for immediate budgeted repairs, exclusive of inventory items.

(d) Notwithstanding any other provisions of this chapter to the contrary, the purchasing administrator shall have the authority, in any situation where a contract is to be let through the bidding process, to reserve such contract exclusively for vendors listed on the minority business enterprise and women business enterprise list. In such event, the bid announcements shall indicate such reservation, citing this subsection as authority therefore. Reservations by the purchasing administrator may be on a commodity basis or on an individual contract basis.

(e) Annually the county board shall adopt by resolution a recommended minimum percentage goal for the participation of minority business enterprise and women business enterprise vendors in

contracts awarded pursuant to chapter 32. Such goals are not mandatory; however, the purchasing administrator shall make diligent efforts to achieve or exceed such annual participation goals. The purchasing administrator shall have full discretion to select those contracts where minority and women business enterprise participation shall be required and may in each case, establish in the specifications and bid documents the level of required minority and women business enterprise, up to a limit of twenty-five (25) percent for any contract. All written solicitations and notices for bids promulgated or published pursuant to this chapter shall contain language advising potential bidders of the provisions of this subsection. Minority business enterprise (MBE) and women business enterprise (WBE) shall have the same meanings as set forth in section 42.02.

(8) All contract formats recommended by the procurement division shall be reviewed for approval by the corporation counsel prior to use.

32.26. Protest and appeal procedure.

Protests to any sealed bid, procurement or award recommended by the purchasing administrator may be made by any bidder and/or using department head as follows:

(1) *Prior to bid opening:*

(a) Protests to form and content of bid documents shall be received by the purchasing administrator not less than five (5) days prior to the time scheduled for bid opening. A protest shall be in writing and state the reason for it.

(b) The purchasing administrator shall review protests and, if modification is necessary, the bid opening date shall be extended and addenda containing the changes shall be sent to each bidder. If modification is rejected, the protestor shall be notified. The decision of the purchasing administrator is final.

(2) *After bid opening:*

(a) Protests concerning irregularities on sealed bid opening procedures, or compliance by bidders with bid documents, shall be received by the purchasing administrator within seventy-two (72) hours after time of bid opening.

(b) When a sealed bid is awarded to other than the low bidder, all bidders shall be notified in writing by certified mail, return receipt requested, or by fax machine transmission, of the proposed award. Protests to the award must be delivered to the purchasing administrator within seventy-two (72) hours after receipt of notice. The purchasing administrator's copy of the fax transmission cover sheet, or the department's fax log, shall be conclusive proof of the time and date of receipt by a bidder.

(c) A protest under either subsection (a) or (b) must be in writing and state the reason for it. The purchasing administrator shall review the protest and notify the protestor of a decision in writing by certified mail, return receipt requested, within five (5) days. No contract shall be awarded while a protest is pending. A protest which is untimely, fails to state the reason for it or shall have been made prior to bid opening is invalid. The decision of the purchasing administrator disqualifying the protest for these reasons is final and cannot be appealed.

(3) *Appeals to purchasing standardization committee:*

(a) Protests from decisions of the purchasing administrator shall be made to the purchasing standardization committee by delivering a written request for appeal hearing both to the procurement division and the committee within seventy-two (72) hours after receipt of the purchasing administrator's decision.

(b) The request shall state the grounds upon which the protest is based and shall request an appeal hearing. No contract shall be awarded until final disposition of the protest.

(c) The chairperson of the committee shall notify all interested persons of the time and place of the hearing.

(d) The committee shall affirm, reverse or modify the decision of the purchasing administrator and its decision shall be final.

32.27. Delegation of purchasing authority.

Any department may be delegated by the purchasing administrator, in writing, to purchase supplies, materials or services. Such delegation shall remain in effect until rescinded, in writing, by the purchasing administrator and shall comply with the following regulations:

- (1) No procurement shall exceed two thousand dollars (\$2,000.00), including any freight and any handling charges.
- (2) Purchasers shall use county-wide blanket contracts.
- (3) This authority shall not be used to circumvent bulk purchases of any item by repeated purchases in the amounts of two thousand dollars (\$2,000.00) or less.
- (4) All procurement forms and procedures shall be approved by the purchasing administrator prior to use. The purchasing card is an acceptable alternative to written forms if approved by the purchasing administrator.

32.28. Emergency purchases.

When immediate action is required to preserve property or protect life, health or welfare of persons, any department head is authorized to procure equipment, supplies and services directly in the open market. The procurement division shall be consulted and/or notified. Such action shall be reported, in writing, within forty-eight (48) hours after initial emergency action, in the county board, county executive and department of administration. Purchases and payments shall not be restricted by normal budget limitations. Appropriation transfers, if required, shall be initiated in accordance with fiscal procedures.

32.285. Procurement of items of apparel.

- (1) *Policy.* The county chooses to allocate its purchasing dollars related to wearing apparel to enhance the economic and social well-being of people, while acquiring the best possible quality goods at the lowest cost.
- (2) *Definitions.* As used in this section:
 - (a) "Apparel" means all items of clothing and cloth produced by weaving, knitting and felting, and shall include uniforms, coveralls, footwear, linens and entrance mats.
 - (b) "Manufacture" means to process, fabricate, assemble, treat or package.
 - (c) "Non-poverty wage" means the following for:
 1. Domestic manufacturers. A base hourly wage adjusted annually to the amount required to produce, for two thousand eighty (2,080) hours worked, an annual income equal to or greater than the U.S. Department of Health and Human Services' most recent poverty guideline for a family of three (3) plus an additional twenty (20) percent of the wage level paid either as hourly wages or health benefits.
 2. Outside the United States. A nationwide wage and benefit level which is comparable to the non-poverty wage for domestic manufacturers as defined in subdivision 1 after being adjusted to reflect the country's level of economic development by using a factor such as the relative national standard of living index in order to raise a family of three (3) out of poverty. In addition, workers shall not be subject to disciplinary wage deductions.
 - (d) "Responsible manufacturer" means an establishment engaged in manufacturing, distributing, laundering or dry cleaning that can demonstrate all of the following:
 1. Compliance with all applicable local and international labor laws and workplace regulations regarding wages and benefits, workplace health and safety, as well as the fundamental conventions of the international labor organization, including those regarding forced and child labor and freedom of association.
 2. Payment to its employees of non-poverty wages as defined in subsection (c)1. for domestic manufacturers and subsection (c)2. for manufacturers located outside of the United States.
 3. Termination of its employees only with just cause.
 4. Establishment of a mechanism for the resolution of workplace disputes.
- (3) *Requirements.*
 - (a) *Application.* Contracting departments shall award contracts in excess of five thousand dollars (\$5,000.00) relating to the purchasing, renting, laundering and dry cleaning of items of apparel to responsible manufacturers.
 - (b) *Affidavits.*
 1. No contracts for the purchasing, renting, laundering and dry cleaning of items of apparel shall be entered into by contracting departments unless the lowest responsible bidders first submit to the

purchasing director sworn reports or affidavits which include the following information for the specified time periods of the contracts:

- a. The names and addresses of the companies and facilities in which the items of apparel have been or will be manufactured, distributed, laundered or dry cleaned.
- b. The names and addresses of all owners of the facilities in which the items of apparel have been or will be manufactured, distributed, laundered or dry cleaned.
- c. The base hourly wage and the percent of wage level paid as health benefits for persons working at the facilities in which the items of apparel have been or will be manufactured or distributed, laundered or dry cleaned.
- d. Sworn statements by the contractors that facilities identified pursuant to this paragraph are responsible manufacturers as defined in subsection (2)(d).
- e. Any other information deemed necessary by the purchasing director for the enforcement of this section.

2. Contractors shall procure and submit sworn reports or affidavits from every subcontractor employed by the contractor during the specified time period of the contract for the fulfillment of contracts covered under this section.

3. In the event that any information provided by the contractor or subcontractor pursuant to this paragraph changes during the specified time period of the contract, the contractor shall submit or cause to be submitted to the purchasing director sworn reports or affidavits relating to the updated information.

4. The purchasing director shall maintain and make available for public inspection any sworn report or affidavit submitted pursuant to this paragraph.

(4) *Contract bid specifications.* Contracting departments shall add a digest of the provisions of this section to all specifications for apparel purchasing, renting, laundering and dry cleaning upon which they issue invitations to bid.

(5) *Specification for apparel contracts.* No contract for the purchasing, renting, laundering and dry cleaning of items of apparel covered under this section shall be entered into by the county unless the contract contains a stipulation stating that the contractor agrees to provide in fulfillment of the contract items of apparel which have been manufactured, laundered and dry cleaned by responsible manufacturers, and that the contractor agrees to include an equivalent stipulation in all subcontracts.

(6) *Monitoring and enforcement.*

(a) *Responsibility.* The business operations division--procurement services section--department of administration shall be responsible for monitoring contracts for compliance with this section. The department shall review and monitoring contracts for compliance with this section. The department shall review and monitor the sworn reports or affidavits submitted by apparel contractors, receive and investigate complaints relating to compliance with this section, and impose appropriate sanctions upon any contractor who provides false information to the department or fails to comply with the provisions of this section.

(b) *Notice.* The department shall provide in a timely manner notice and related documentation regarding the following:

1. The issuance of invitations to bid and the awarding of contracts relating to the purchasing, renting, laundering and dry cleaning of times of apparel covered by this section.

2. The receipt of sworn reports or affidavits submitted pursuant to section 3(b).

(c) *Sanctions.* Any contractor or subcontractor engaged in an apparel contract who has been found by the business operations division-procurement services section-department of administration to have submitted any false, misleading or fraudulent information, or to have failed to comply with the provisions of this section, may be subject to any of the following sanctions imposed by the business operations division:

1. Withholding of payments.

2. Termination, suspension or cancellation of the contract in whole or in part.

3. After a due process hearing, denial of the right of the contractor or subcontractor to bid on future county contracts, by himself or herself, partner or agent, or by any corporation of which he or she is a member, for a period of one (1) year after the first violation is found and for a period of three (3) years after a second violation is found.

(7) *Waiver.* The requirements of this section may be waived in writing by the purchasing director if any of the following are true:

(a) All bidders to a contract are deemed ineligible under this section.

(b) The contract is necessary in order to respond to an emergency endangers the public health and safety, and no contractor who complies with the requirements of this section is immediately capable of responding to the emergency.

(8) *Appeals.* Any apparel contractor who objects to any decision or action of the business operations division relative to specifications and recommendations for purchasing, renting, laundering or dry cleaning of items of appeal may appeal the decision to the purchasing standardization committee pursuant to section 32.51.

32.29. Unlawful purchases.

Contracts for any supplies, materials, equipment or contractual services contrary to the provisions of this chapter, or the rules and regulations made there under, shall be void.

32.31. Cooperative purchasing.

The procurement division is authorized to join with other units of government, and with quasigovernmental agencies funded in whole or in part by the county, in cooperative purchasing plans when in the best interests of the county as determined by the purchasing administrator. Each of the participating units or agencies shall issue its own purchase order and be separately invoiced by the vendors for purchases made under such plans. The county shall not be obligated for purchases other than those required for its own use.

32.32. Prohibition of gifts and rebates.

(See code of ethics.)

32.33. Encumbrance of funds.

Except for an emergency as identified in section 32.28, no order for supplies, materials, equipment or contractual services shall be awarded until the division of fiscal affairs certifies that the unencumbered balance in the appropriation(s) concerned is sufficient to defray the cost of such order.

32.34. Service charge for handling stored commodities.

The procurement division shall annually allocate a service charge to be added to the cost of items handled through storage facilities under the control of the procurement division. The charge shall be based upon the cost of operating and maintaining such facilities and shall be applied as a percentage of the dollar values of commodities delivered from such facilities.

32.35. Inconsistent ordinances repealed.

All ordinances and parts of ordinances and all resolutions or administrative rules and regulations inconsistent with the provisions of this subchapter are hereby repealed.

32.36. Negotiations and competitive proposals.

This section covers general requirements regarding negotiated contracts. Detailed and specific requirements appear throughout this section.

32.37. General.

Negotiation is a procedure that includes the receipt of proposals from offerors, permits bargaining, and usually affords an opportunity to revise their offers before award of a contract. Bargaining, in the sense of discussion, persuasion, alteration of initial assumptions and positions, and give-and-take, may apply to price, schedule, technical requirements, type of contract, or other terms of a proposed contract. Negotiations are appropriate if one (1) or all of the following conditions exist:

(1) Adequate specifications are not available or would be too expensive to develop.

(2) Discussions with the offerors are required.

(3) Evaluation and award factors include criterion other than price or price related factors.

(4) Other than a firm fixed price contract is to be awarded.

32.38. Converting from sealed bidding to negotiation procedures.

When the purchasing administrator has determined that a sealed bid is to be canceled and that use of negotiations is appropriate to complete the acquisition, the purchasing administrator may negotiate and make award without issuing a new solicitation subject to the following conditions:

- (1) Prior notice of intention to negotiate and a reasonable opportunity to negotiate have been given by the purchasing administrator to each responsive, responsible bidder that submitted a bid in response to the invitation for bids;
- (2) The negotiated price is the lowest negotiated price offered by any responsible bidder; and
- (3) The negotiated price is lower than the lowest rejected bid price of a responsive, responsible bidder that submitted a bid. However, this paragraph (3) does not apply if the invitation was canceled and all bids were rejected.

32.39. Solicitation and receipt of proposals.

This section prescribes policies and procedures for preparing and issuing requests for proposals (RFPs) and for receiving proposals.

32.40. General.

- (1) Requests for proposals (RFPs) are used in negotiated acquisitions to communicate county requirements to prospective vendors and to solicit proposals from them. Solicitations shall contain the information necessary to enable prospective vendors to prepare proposals properly. Solicitation provisions and contract clauses may be incorporated into the solicitations and contracts by reference.
- (2) The purchasing administrator shall furnish identical information concerning a proposed acquisition to all prospective vendors.
- (3) The purchasing administrator shall solicit proposals only when there is a definite intention to award a contract.
- (4) A proposal received in response to an RFP is an offer that can be accepted by the county to create a binding contract.
- (5) Letter RFPs should be as clear and concise as possible, exclude any unnecessary verbiage or notices; and, as a minimum, contain the following:
 - (a) RFP number and date.
 - (b) Name and address of contracting office.
 - (c) Type of contract contemplated.
 - (d) Quantity, description, and required delivery for the item.
 - (e) Applicable certifications and representations.
 - (f) Contract terms and conditions.
 - (g) Offer due date.
 - (h) Other relevant information; e.g., incentives, variations in delivery schedule, any peculiar or different requirements, cost proposal support and different data requirements.

32.41. Solicitation mailing list and advertising.

The procurement division shall establish, maintain, and use lists of potential sources. Letter RFPs shall be solicited from all potential sources. Letter RFPs with an estimated aggregate value in excess of fifty thousand dollars (\$50,000.00) shall be advertised at least once in the officially designated newspaper for procurement notices as least two (2) weeks before the proposal due date, and by posting official notice on the procurement board in the procurement division office for the same period. Any response to publicized RFPs shall be honored to the maximum extent practical.

32.42. Evaluation factors.

RFPs shall identify all evaluation factors and their relative importance. Numerical weights, which may be employed in the evaluation of proposals, need not be disclosed in solicitation. Proposals shall be evaluated solely on the factors specified in the solicitation. The factors that will be

considered in evaluating proposals shall be tailored to each procurement and include only those factors that will have an impact on the source selection decision. The evaluation factors that apply to an acquisition and the relative importance of those factors are within the broad discretion of the purchasing administrator. However, price or cost to the county shall be included as an evaluation factor in every source selection. Quality also shall be addressed in every source selection. In evaluation factors, quality may be expressed in terms of technical excellence, management capability, personnel qualifications, prior experience, past performance and schedule compliance. Other relevant factors may also be included.

32.43. Right to award without negotiations.

If so stated in the RFP, the purchasing administrator may make an award on the basis of the original proposals, without negotiation with any offeror. If the purchasing administrator conducts negotiations at all, however, then negotiations must be conducted with all offerors in the competitive range.

32.44. Pre-proposal conferences.

- (1) A pre-proposal conference may be held to brief prospective offerors after a solicitation has been issued but before offers are submitted. Generally these conferences should be used in complex negotiated procurements to explain or clarify complicated specifications and requirements.
- (2) The purchasing administrator shall decide if a pre-proposal conference is required and make the necessary arrangements, including the following:
 - (a) If notice was not in the solicitation, give all prospective offerors who received the solicitation adequate notice of the time, place, nature, and scope of the conference.
 - (b) If time allows, request prospective offerors to submit written questions in advance. Prepared answers can then be delivered during the conference.
 - (c) Arrange for technical and legal personnel to attend the conference, if appropriate.
- (3) The purchasing administrator or a designated representative shall conduct the pre-proposal conference, furnish all prospective offerors identical information concerning the proposed acquisition, make a complete record of the conference, and promptly furnish a copy of that record to all prospective offerors. Conferees shall be advised that:
 - (a) Remarks and explanations at the conference shall not qualify the terms of the solicitation; and
 - (b) Terms of the solicitation and specifications remain unchanged unless the solicitation is amended in writing.

32.45. Receipt of proposals.

The procedures for receipt and handling of proposals in negotiated procurements shall be the same as the receipt and safeguarding of sealed bids. Proposals shall be marked with the date and time of receipt. After receipt, proposals in negotiated procurements shall be safeguarded from unauthorized disclosure.

32.46. Late proposals and modifications.

- (1) When a proposal or modification is received and it is clear from available information that it cannot be considered for award, the purchasing administrator shall promptly notify the offeror that it was received late and will not be considered.
- (2) Late proposals and modifications that are not considered shall be held unopened, unless opened for identification, until after award and then retained with other unsuccessful proposals.
- (3) The purchasing administrator shall retain complete and sole discretion to waive the requirements of subparagraphs (1) and (2), above, if such waiver is deemed to be in the best interests of the county. Such decision of the purchasing administrator is not subject to appeal to the purchasing standardization committee.

32.47. Disclosure and use of information before award.

- (1) After receipt of proposals, none of the information contained in them or concerning the number or identity of offerors shall be made available to the public or to anyone in county government.

(2) During the pre-award or pre-acceptance period of a negotiated procurement, only the purchasing administrator of designee, and other specifically authorized shall transmit technical or other information and conduct discussions with prospective vendors. Information shall not be furnished to a prospective vendor if, alone or together with other information, it may afford the prospective vendor an advantage over others. However, general information that is not prejudicial to others may be furnished upon request.

(3) Prospective vendors may place restrictions on the disclosure and use of data in proposals. The purchasing administrator shall not exclude proposals from consideration merely because they restrict disclosure and use of data, nor shall they be prejudiced by that restriction. The portions of the proposal that are so restricted (except for information that is also obtained from another source without restriction, or information required to be disclosed to county auditors) shall be used only for evaluation and shall not be disclosed outside the county without the permission of the prospective vendor.

32.48. Best and final offer.

After negotiations are concluded each offeror in the competitive range shall be required to submit a best and final offer at a uniform cutoff date and time. Best and final offers received after the uniform cutoff date and time may be rejected without right of appeal. The purchasing administrator may, in his or her sole discretion, waive this provision if waiver is deemed to be in the best interests of the county, and such decision is not subject to appeal to the purchasing standardization committee.

32.49. Awards.

In awarding a contract, price is but one (1) factor to be considered, and the award is not required to be made to the lowest responsive, responsible bidder. Awards shall be made to the responsive, responsible firm whose proposal overall is the most advantageous to the county, as determined in the sole opinion of the purchasing administrator. The county reserves the right to reject all proposals if the purchasing administrator, in his or her sole discretion, determines such rejection to be in the public interest. Such rejection is not subject to appeal to the purchasing standardization committee.

32.50. Protests to awards.

(1) All unsuccessful offerors shall be notified by fax machine transmission of the pending contract award. Protest to the award must be delivered to the purchasing administrator within seventy-two (72) hours after receipt of notice. The purchasing administrator's copy of the fax transmission cover sheet, or the departments fax log, shall be conclusive proof of the time and date of receipt by the offeror.

(2) A protest must be in writing and clearly state the reason for it. The purchasing administrator shall review the protest and notify the protestor of a decision by fax machine transmission within five (5) days. No contract shall be awarded while a protest is pending. A protest that is untimely or fails to clearly state the reason for the protest is invalid. The purchasing administrator's copy of the fax transmission cover sheet, or the departments fax log, shall be conclusive proof of the time and date of receipt by the offeror.

(3) The decision of the purchasing administrator disqualifying the protest for these reasons is final and cannot be appealed.

32.51. Appeals to purchasing standardization committee.

(1) Except as provided in sections 32.46(3), 32.49 and 32.50(3), protests from decisions of the purchasing administrator shall be made to the purchasing standardization committee by delivering a written request for appeal hearing both to the procurement division and the purchasing standardization committee within seventy-two (72) hours after receipt of the purchasing administrator's decision.

(2) The request shall state the grounds upon which the protest is based and shall request an appeal hearing. No contract shall be awarded until final disposition of the protest.

(3) The chairman of the purchasing standardization committee shall notify all interested persons of the time and place of the hearing.

(4) The purchasing standardization committee shall affirm, reverse or modify the decision of purchasing administrator and its decision shall be final.

32.52. Unsuccessful offeror debriefing.

Unsuccessful offerors, upon their written request shall be debriefed as soon as possible and furnished the basis for the selection decision and contract award. Debriefings shall focus on aspects of the unsuccessful proposal that could have been improved and should not make comparisons with the winning proposal. Debriefing shall not reveal the relative merits or technical standing of competitors or the evaluation scoring.

1998
Purchasing Questionnaire

Quality of Products

1. In general, how would you rate the quality of products you have purchased through the County's Procurement Division during the last six months? (Check one)

Excellent 5 Very Good 14 Good 10 Fair 1 Unsatisfactory 0

2. If your answer to Question No. 1 was **Fair** or **Unsatisfactory**, could you provide us with the quality issues regarding the product or products with which you have concerns.

Pricing of Products

3. In general, how would you rate the prices of products you have purchased through the County's Procurement Division during the past six months? (Check one)

Excellent 7 Very Good 9 Good 13 Fair 2 Unsatisfactory 0

4. If your answer to Question No. 3 was **Fair** or **Unsatisfactory**, could you provide us with examples of products which you believe did not have a competitive price.

Timeliness in Receiving Products

5. In general, are products and services obtained by the Procurement Division when needed by your department? (Check one)

Always 8 Most of the Time 17 Some of the Time 6 Never 0

Buyer Responsiveness

6. In your opinion, are Procurement Division Buyers helpful with your purchasing requests? (Check one)

Always 13 Most of the Time 12 Some of the Time 6 Never 0

7. In your opinion, are Procurement Division Buyers knowledgeable about the products you are ordering? (Check one)

Always 7 Most of the Time 15 Some of the Time 9 Never 0

8. Additional comments or concerns with the County's purchasing practices?

Name of Person
Answering Questionnaire

Department

2007
Purchasing Questionnaire

Quality of Products

1. In general, how would you rate the quality of products you have purchased through the County's Procurement Division during the last six months? (Check one)

Excellent 3 Very Good 12 Good 11 Fair 1 Unsatisfactory 0
No Answer 2

2. If your answer to Question No. 1 was **Fair** or **Unsatisfactory**, could you provide us with the quality issues regarding the product or products with which you have concerns.

Pricing of Products

3. In general, how would you rate the prices of products you have purchased through the County's Procurement Division during the past six months? (Check one)

Excellent 1 Very Good 15 Good 11 Fair 1 Unsatisfactory 0
No Answer 1

4. If your answer to Question No. 3 was **Fair** or **Unsatisfactory**, could you provide us with examples of products which you believe did not have a competitive price.

Timeliness in Receiving Products

5. In general, are products and services obtained by the Procurement Division when needed by your department? (Check one)

Always 6 Most of the Time 18 Some of the Time 4 Never 0
No Answer 1

Buyer Responsiveness

6. In your opinion, are Procurement Division Buyers helpful with your purchasing requests? (Check one)

Always 11 Most of the Time 15 Some of the Time 3 Never 0

7. In your opinion, are Procurement Division Buyers knowledgeable about the products you are ordering? (Check one)

Always 3 Most of the Time 17 Some of the Time 8 Never 0
No Answer 1

Leadership/Management

8. Please rank the following on a scale of **1 (Very Poor)** to **5 (Outstanding)** by placing your responses on the lines below:

1=Very Poor 2=Poor 3=Good 4=Very Good 5=Outstanding

_____ Professionalism of the Procurement Division

1=Very Poor	2=Poor	3=Good	4=Very Good	5=Outstanding	No Answer
0	3	9	12	4	1

_____ Management's response to problems and issues

1=Very Poor	2=Poor	3=Good	4=Very Good	5=Outstanding	No Answer
1	4	9	11	2	2

_____ Efficiency and effectiveness of procurement process and operations

1=Very Poor	2=Poor	3=Good	4=Very Good	5=Outstanding	No Answer
0	2	14	11	2	0

_____ Staff contacts a sufficient number of appropriate & responsible vendors

1=Very Poor	2=Poor	3=Good	4=Very Good	5=Outstanding	No Answer
1	2	13	9	2	2

Comments: _____

9. In general, would you say Procurement Division's performance between January 2006 and October 2007 has improved, stayed the same, or declined? **(CHECK ONE)**

Improved 12 Stayed the Same 3 Declined 3 No Answer 1

Comments: _____

10. Additional comments or concerns with the County's purchasing practices?

 Name of Person Answering Questionnaire

 Department

MILWAUKEE COUNTY
Interoffice Memorandum

Date: May 20, 2008
To: Jerome J. Heer, Director of Audits
From: Amos D. Owens, Purchasing Administrator
Subject: Procurement Division Response to An Audit of the Procurement Division

The Procurement Division appreciates the professional review and analysis of its operations performed by the Department of Audit. The Division is committed to finding ways to improve the effectiveness and services it provides.

The Division concurs with the findings and recommendations, which will assist the Division to further enhance and improve the services it provides.

The recommendations and Procurement Division responses are attached.

Respectfully submitted,

Amos D. Owens
Purchasing Administrator
Procurement Division

Attachments

Cc: Scott Walker, County Executive
Cynthia Archer, Director, Department of Administrative Services

1. Either revert back to its long-standing practice of having all purchases reviewed and approved by the Purchasing Administrator or a management-level designee, or develop a methodology to spot-check each buyer's purchasing decisions on a regular basis.

In November 2007 Procurement reverted back to having all of the purchases reviewed by the Purchasing Administrator or a management-level designee.

2. Establish a requirement that buyers document in the file a rationale for their selection of a particular vendor on all Discretionary Purchases.

On Discretionary Purchases, departments will be required to state reason for the purchase request in the description of the requisition. If reason is questionable, buyers will contact the requesting department on vendor selection and the vendor on justification of the price or prices. This will be noted on the requisition.

3. Work with the Department of Administrative Services to establish administrative procedures, for County Board consideration, requiring the production of an exception report identifying individuals in each organization unit that receives an hourly wage rate in excess of their established rates. Such procedures should also require departments to establish administrative review procedures to match wage rate exception reports with documents authorizing such variances.

The Director of Administrative Services will work with Human Resources and IMSD to develop an exception report, for County Board consideration, identifying individuals in each organization unit that receives an hourly wage rate in excess of their established rates. It is anticipated this will be accomplished by December 2008.

4. Resume the practice of directing prospective bidders to submit sealed bids to the Office of the County Clerk, to be transferred to the Procurement division at the time of bid opening.

Alternatively, propose, for County Board consideration, a revision to s. 32.25 (6)(a) of the Ordinances that retains an acceptable separation between the functions of receiving and opening sealed bids.

The Procurement Division will propose, for County Board consideration, by December 2008 a revision to s. 32.25 (6) (a) of the Ordinances which will retain an acceptable separation between the functions of receiving and opening sealed bids.

5. Establish formal requirements that all bid openings conducted by Procurement staff are documented as witnessed by at least one other party.

The Procurement staff will be notified immediately that all bid openings shall be documented and witnessed by at least one other party. A witness form will be added to the bid documents. This procedure will be added to the Policy and Procedures Manual.

6. Ensure completion of the Procurement electronic mail notification system in 2008.

A contract is in place with Superior Support Resources, Inc. and they are working with IMSD to implement the Procurement Electronic Mail Notification system. August 2008 is the estimated time for system implementation.

7. Reinforce and monitor staff in good recordkeeping practices.

Good recordkeeping practices of the staff will be reinforced and monitored. Reviewing filing procedures and organizing file areas will help accomplish this. Monitoring and reinforcement began in September 2007 and will be an ongoing process.

8. Initiate a review of Best Practices in government procurement policies and procedures and incorporate such in a complete revision of Milwaukee County Procurement policies and procedures. Particular attention should be paid to concepts of sound internal control and segregation of duties.

A review is underway of the Best Practices in government procurement policies and procedures that will be incorporated into the Milwaukee County Procurement Policies and Procedures Manual. Emphasis will be given to concepts of sound internal control and segregation of duties. The anticipated completion of the policy and Procedures Manual is December 2009.

9. Establish a formal training program for staff buyers regarding the procedures developed in conjunction with recommendation number eight.

A formal training program will be reestablished for staff buyers and will be included in the Procurement Policies and Procedures Manual. Training is currently being implemented and is an ongoing process.

10. In conjunction with the Best Practices review recommended in this report, initiate a staff re-organization plan to enhance the internal control structure of the Procurement Division. This should include adding positions sufficient to allow for proper segregation of duties, an increase of at least one or more buyers to provide capacity for greater specialization, and an additional supervisory or management position to provide greater management oversight of operations.

The Procurement Division is currently reviewing ways to re-organize staff to better control and enhance the internal control structure of the Procurement Division. Buyers have been given specific commodities to purchase, which provides the opportunity for commodity specialization and reduces confusion when departments inquire about purchases. Also, the Procurement Division will review best practices and procedures, which may lend to further re-organization and recommendations for added resources in the future.

11. Establish a practice of reviewing, on a regular basis, the justification for applying sole source status to recurring purchases.

The Procurement Division will work with the Purchasing Standardization Committee at the next 2008 meeting to establish guidelines and timeframes to review the justification for applying sole source status to recurring purchases.